

Airports: Competing in the New Environment



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Key Questions

- How will the current economic crisis impact the US air cargo market?
- What is the continued long term viability of key US air cargo airports?
- In what strategic direction should US airports be taking to maintain or increase their position as a key international air cargo gateways?

Air Freight is Big Business

- \$75 billion air freight & express market
- \$30 billion US domestic market
- Freight traffic has grown 4.1% per year over the past decade
- Market size doubles every ten years
- Cargo share of total airline revenues ~
 - 3-5% for US domestic majors
 - 7-15% for European majors
 - 20-50% for Asian majors

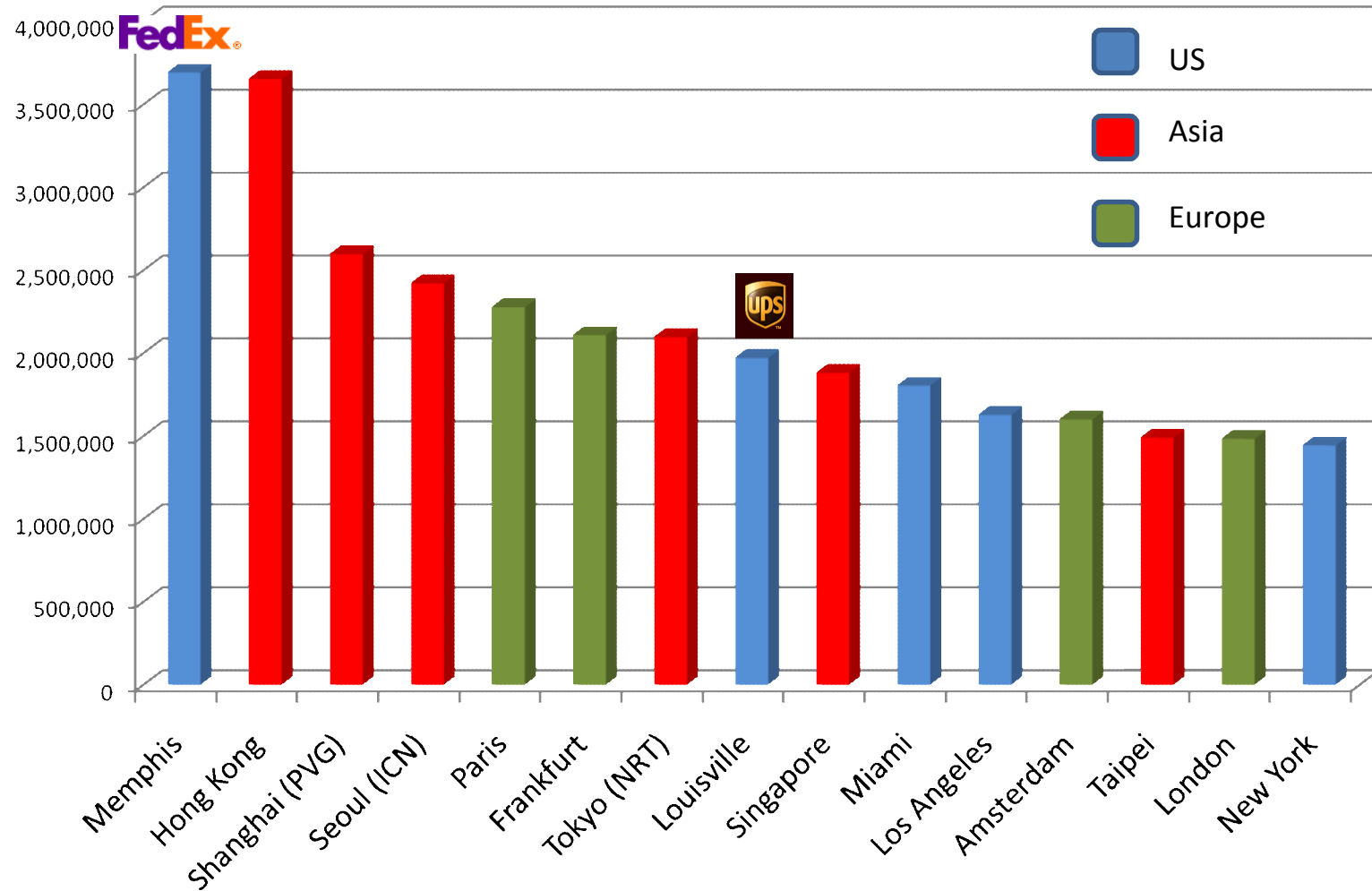


The Current Airline Situation

- The decline in demand for air cargo continues
- In February '09 freight volumes fell by 22.1 percent against 23.2 percent in January and 22.6 percent in December (Source: IATA)
- Asian carriers saw demand fall by 24.7%
- European and North American carriers saw cargo demand decline 23.1% and 21.8% respectively
- Latin American carriers experienced a demand drop of 22.8% driven by weakening demand for the region's commodities
- Further cuts in frequencies and capacity on international sectors are likely for US airlines as business goes from bad to worse

Top 15 World Air Cargo Airports 2008

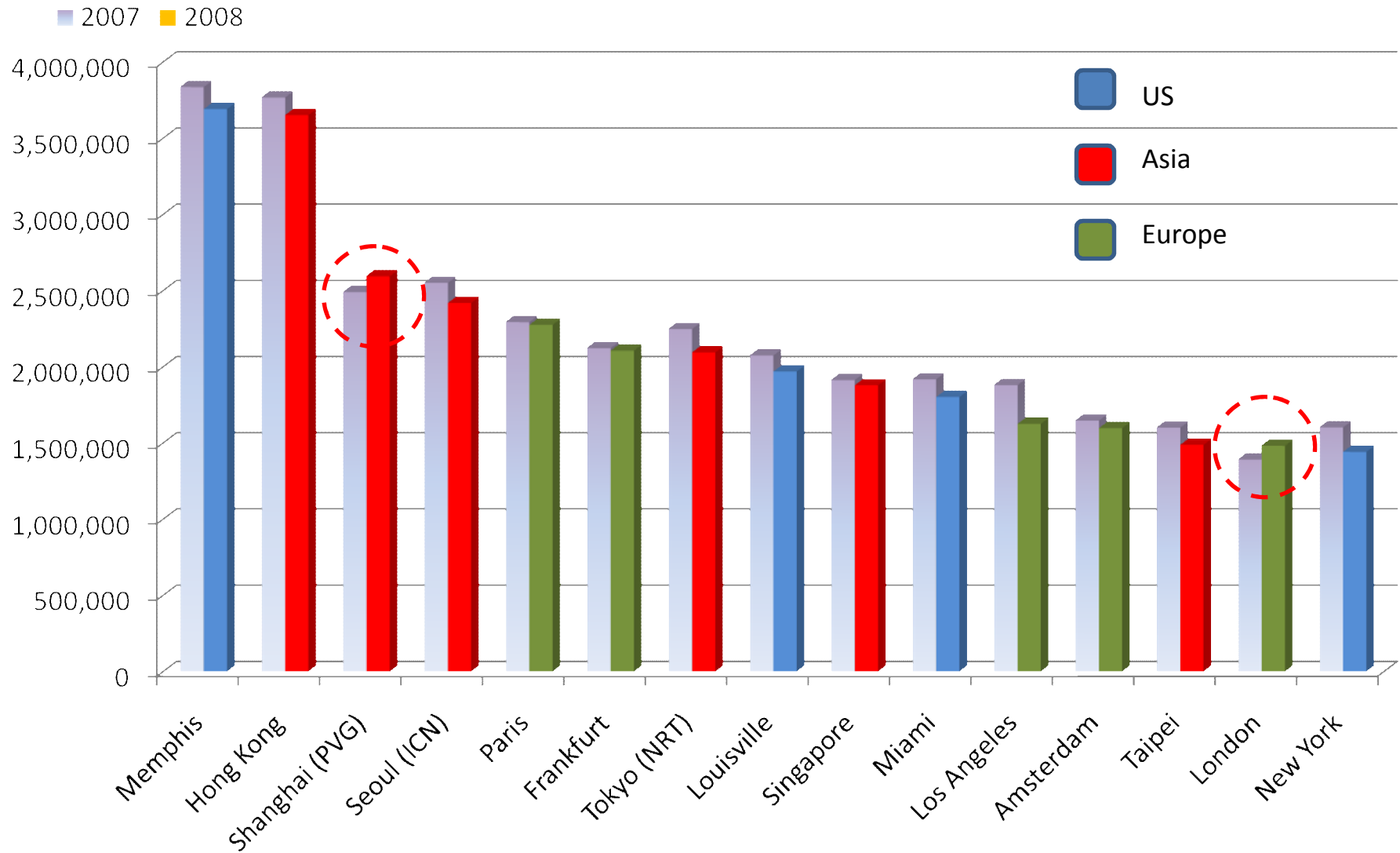
(enplaned and deplaned cargo metric tons)



Source: ACI

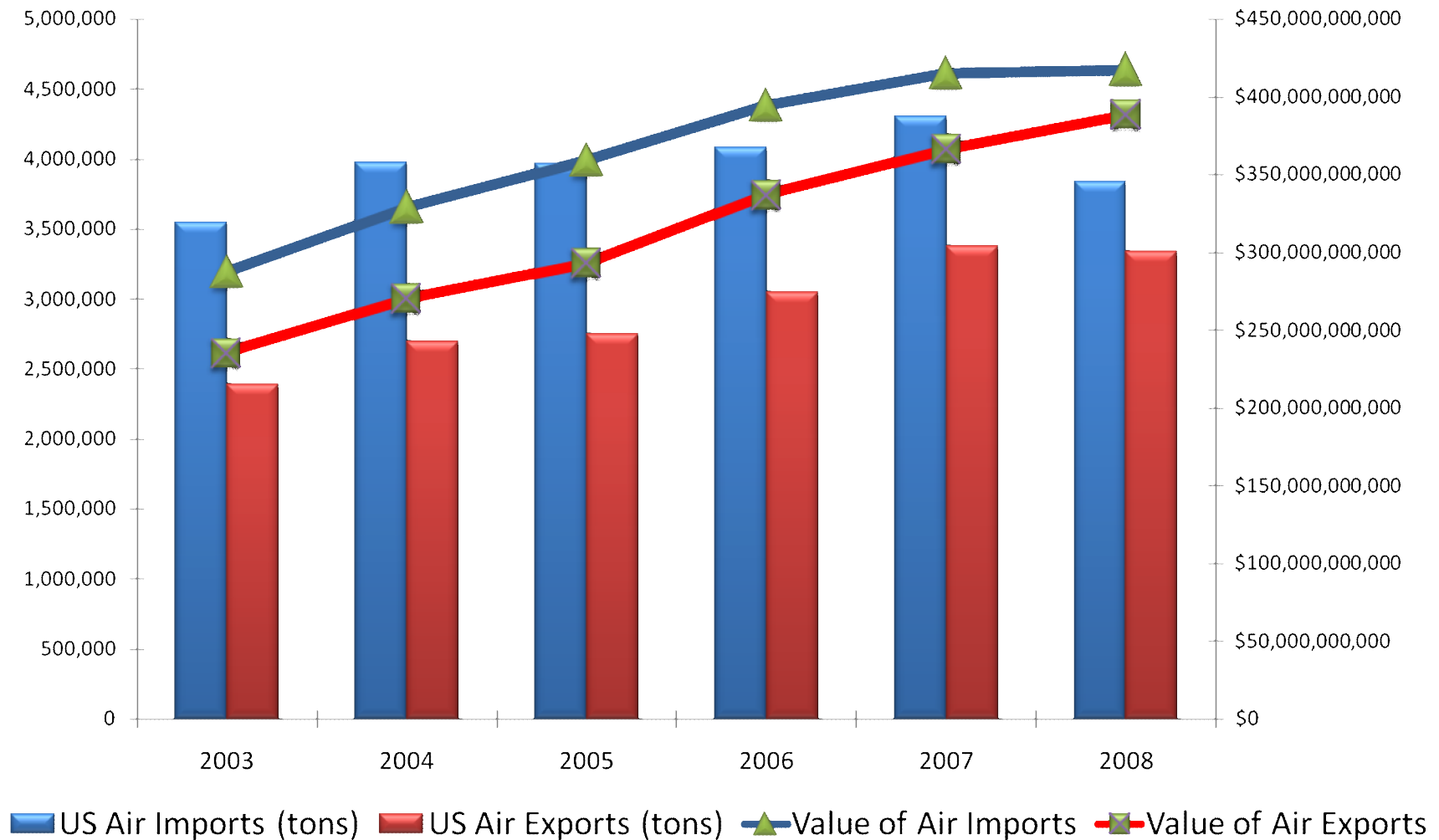
Change 2007 to 2008

(enplaned and deplaned cargo metric tons)



Source: ACI

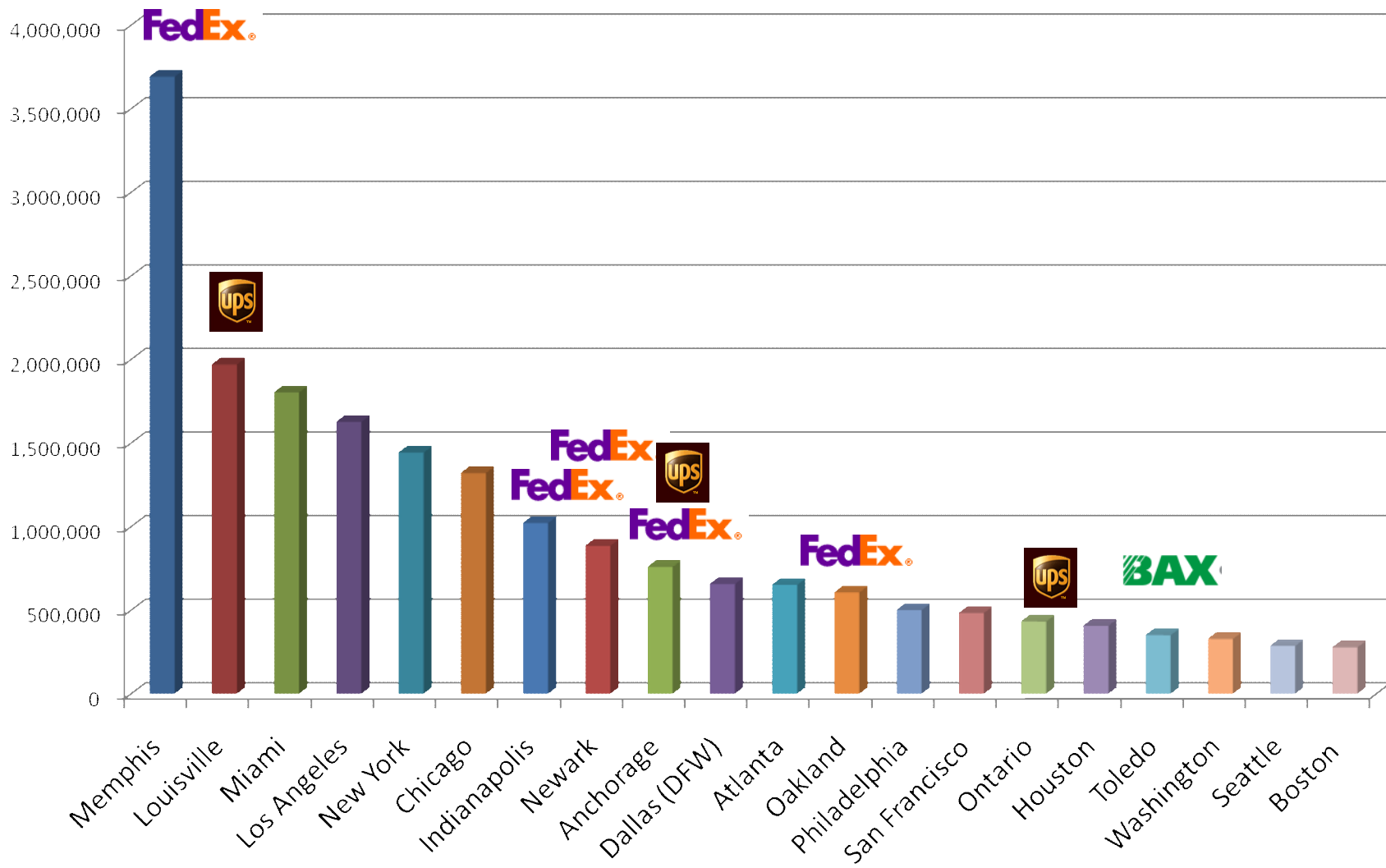
Trend in US Air Cargo Imports/Exports



Source: US Dept. of Commerce

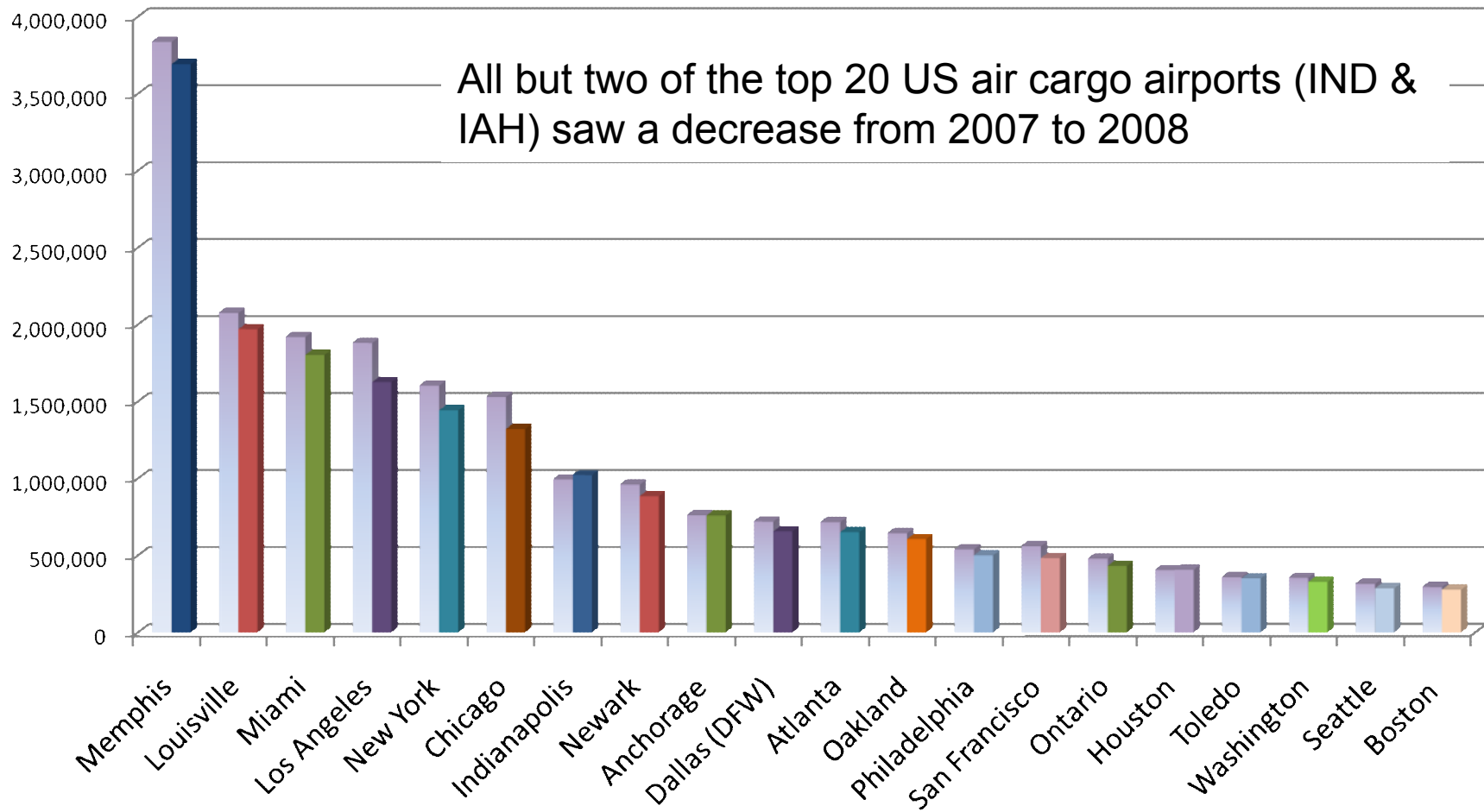
Top 20 US Air Cargo Airports 2008

(enplaned and deplaned cargo)



Source: ACI

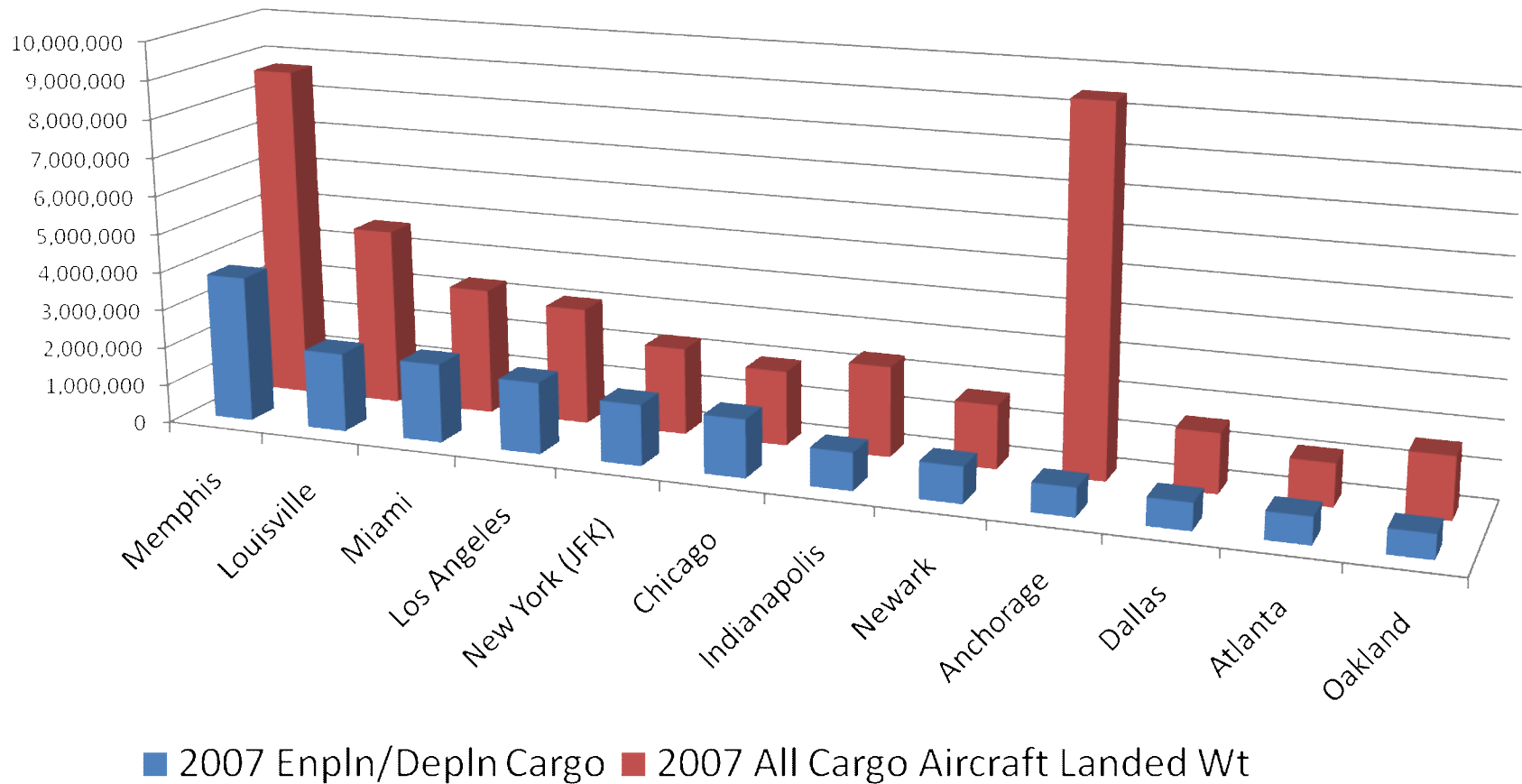
Comparison of 2007-2008



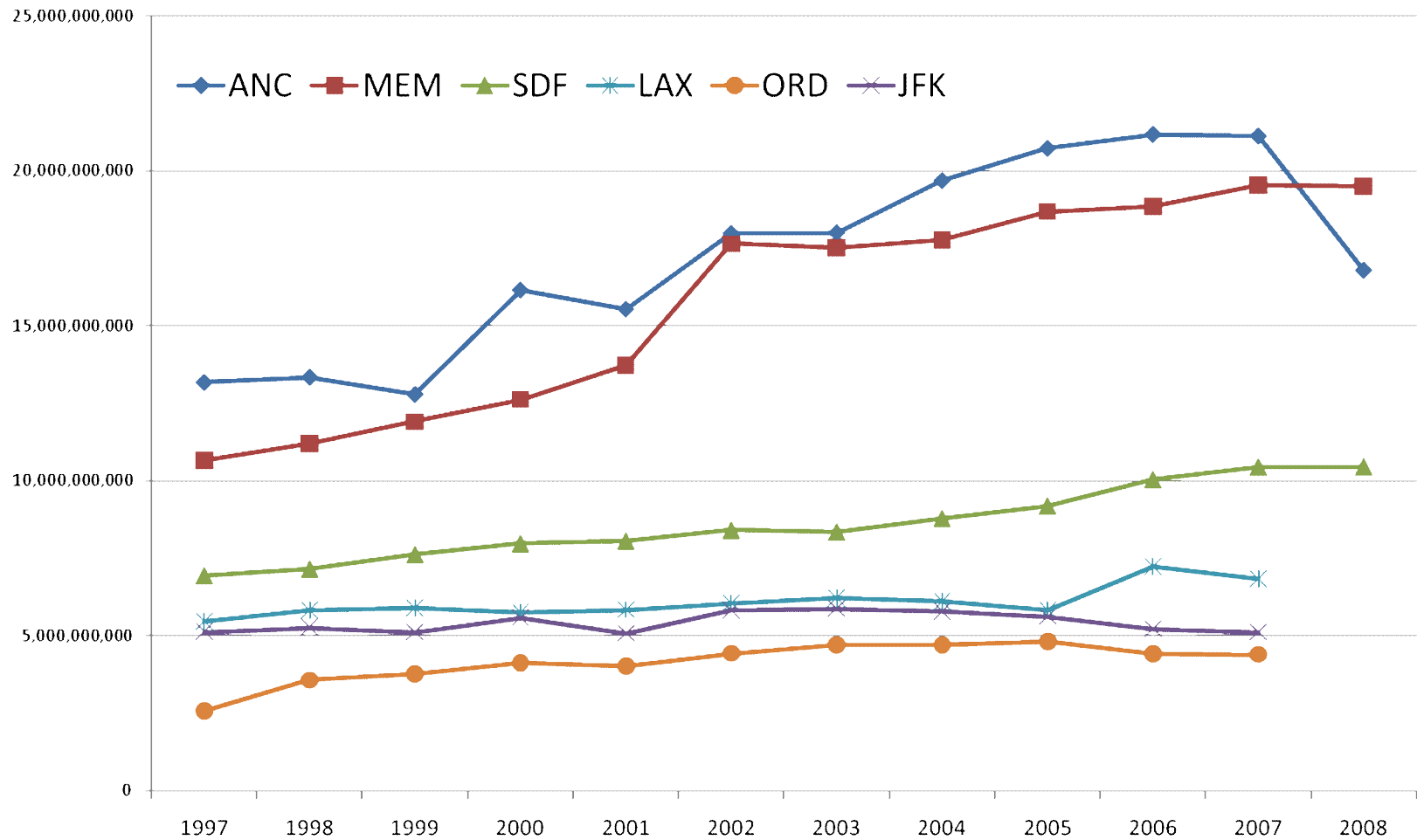
2007 2008

Source: ACI

Comparison of 2007 Air Cargo Tonnages with All Cargo Aircraft Landed Weight



Trends in All-Cargo Aircraft Landed Weight

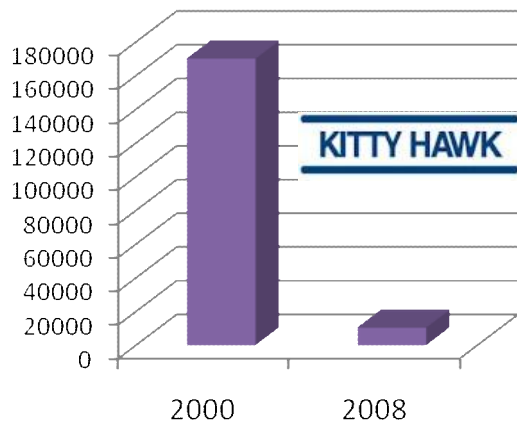


The Changing US All-Cargo Airline Landscape

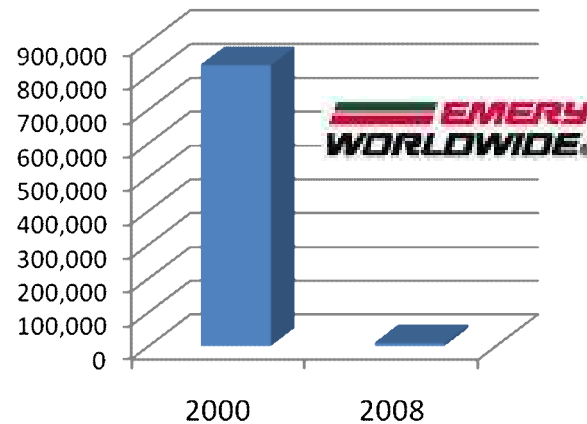


The Changing US Cargo Airport Landscape

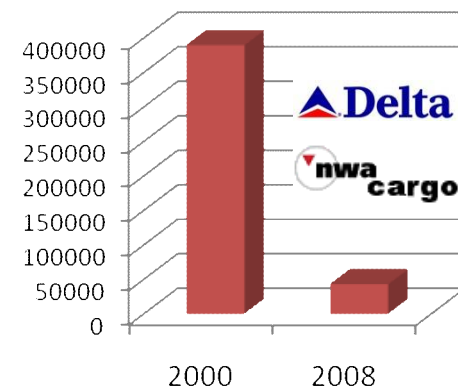
Fort Wayne



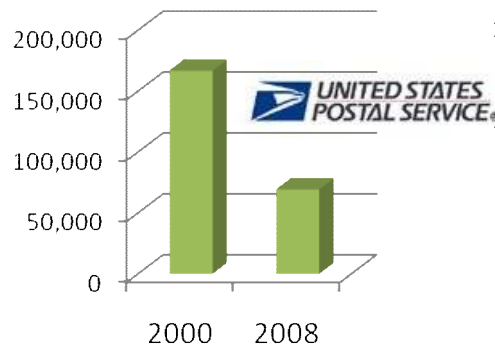
Dayton



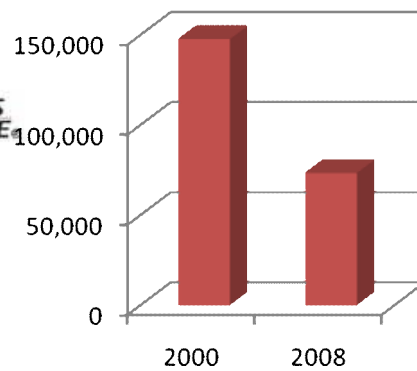
CVG



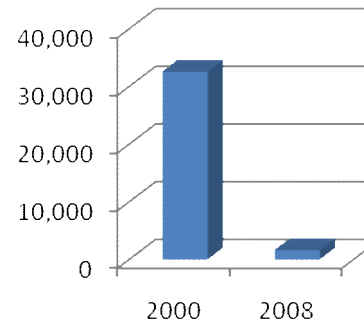
Mather



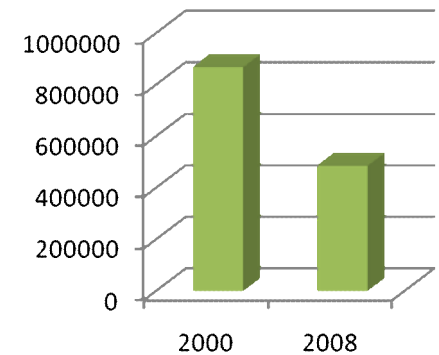
San Jose



Brownsville



SFO

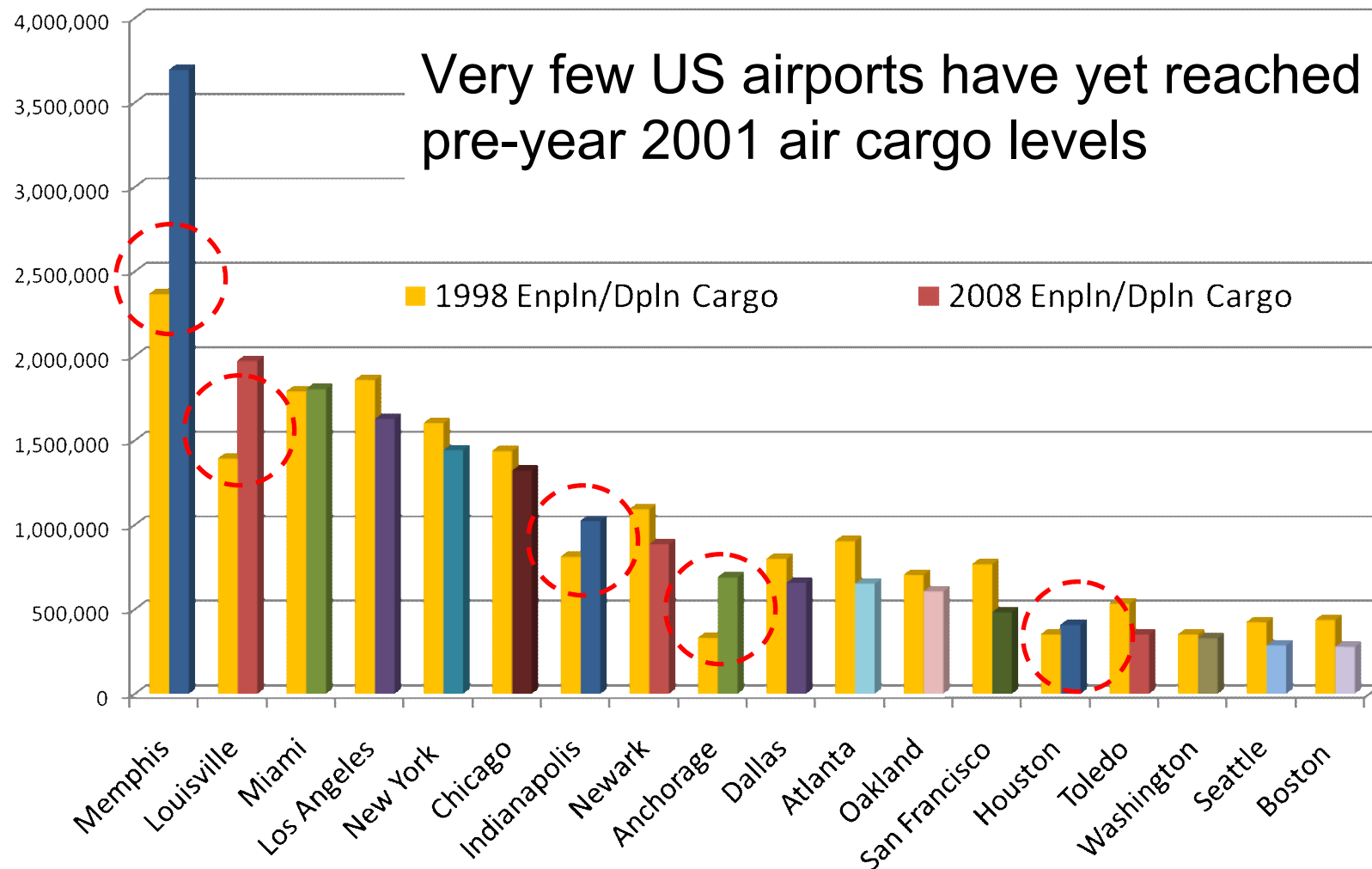


Source: ACI

Is There Good News Ahead?

Probably Not

Comparison of 1998 and 2008 air cargo volumes



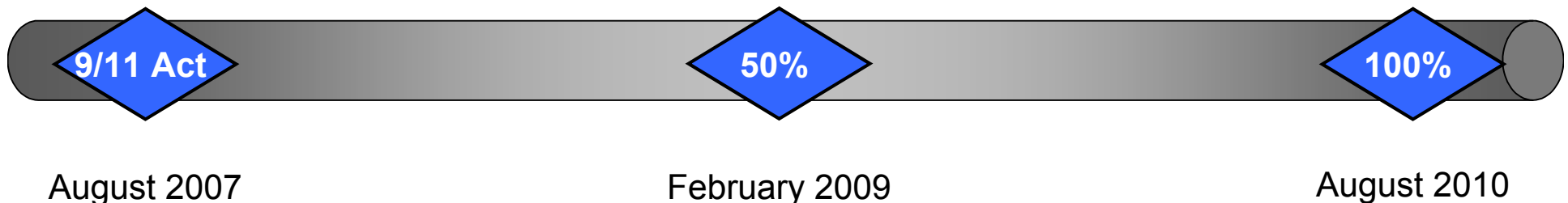
Source: ACI

The Next Airport Crisis - New US Belly Cargo Security Regulations

- US approved *Implementing Recommendations of the 9/11 Commission Act of 2007* on August 3, 2007.
- The legislation mandates 100% screening by August 2010 and requires TSA to:
 - Establish a system to **screen** 100% of cargo transported on passenger aircraft.
 - Provide a level of security **commensurate** to that of passenger baggage.
 - Meet inspection benchmarks.



Congressionally Mandated Cargo Screening Benchmarks



100% Screening Requirement

Impacts

- All cargo must be screened at the piece level by TSA-approved methods prior to being loaded on a passenger aircraft.
- Screening capacity at a single point in the supply chain is not sufficient enough to accomplish this requirement.
- Significant carrier delays, cargo backlogs, and transit time increases are expected.

**~6,800 tons
moves on US PAX daily.**



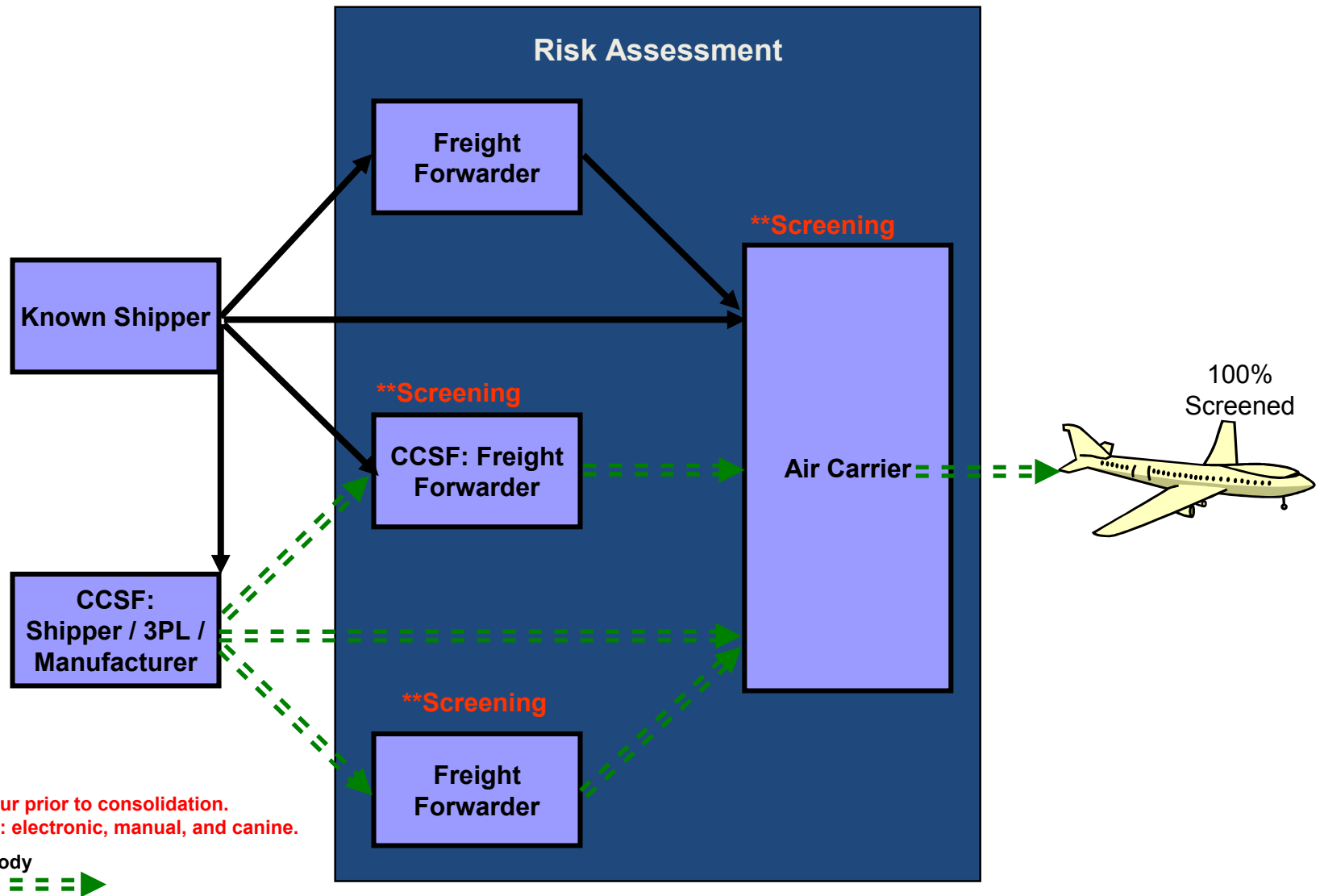
**August 2010
100% Screening
Required by Congress**

**Cargo must be broken down
to piece level and screened
by piece.**



The New Air Cargo Supply Chain

In the future, screening responsibility will be allocated across the supply chain.



Implications for Airports



- The ability to identify and deter system risks
- Reduced potential for air cargo tampering
- Potential for more efficient movement of air cargo
- Shift cargo screening up the supply chain
- Opportunities for regional airports to compete on service

- Potential for cargo terminal congestion
- Lack of truck staging areas at many older airports
- More reliance on freighter aircraft by shippers
- More cost to airports, airlines, forwarders and shippers

A Changed Role for Cargo Airports

Once the economy is back on track cargo airports will need recognize the multimodal nature of cargo, new and proposed security regulations and shift to a new role

Airports should learn to think of themselves not as airfields, but as logistics centers that extend beyond the airport fence line and embrace partnership opportunities

Airports can serve as network hubs for consolidation/distribution of not just air, but truck and rail freight

Two Examples



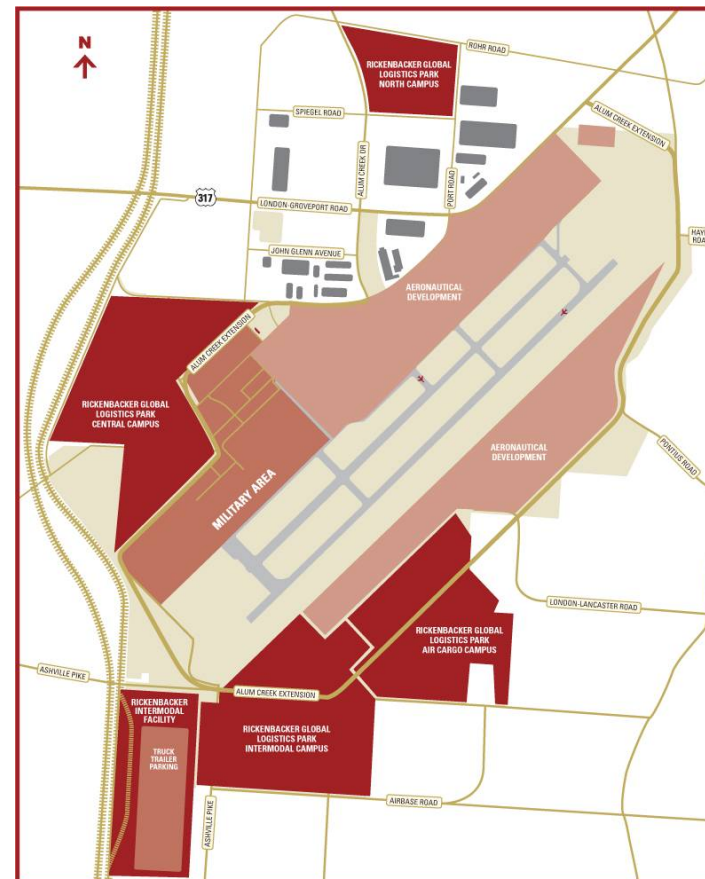
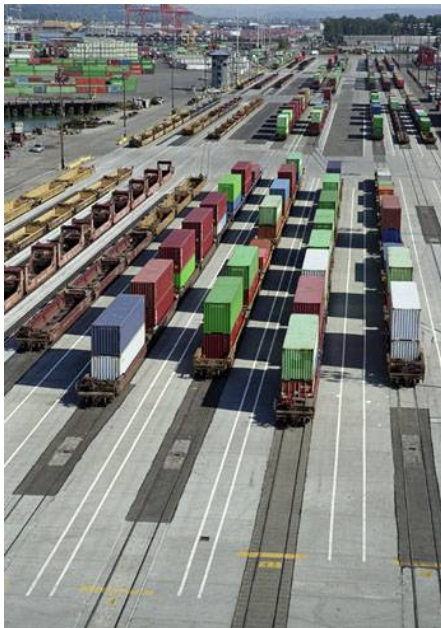
COLUMBUS REGIONAL AIRPORT AUTHORITY
PORT COLUMBUS • RICKENBACKER • BOLTON



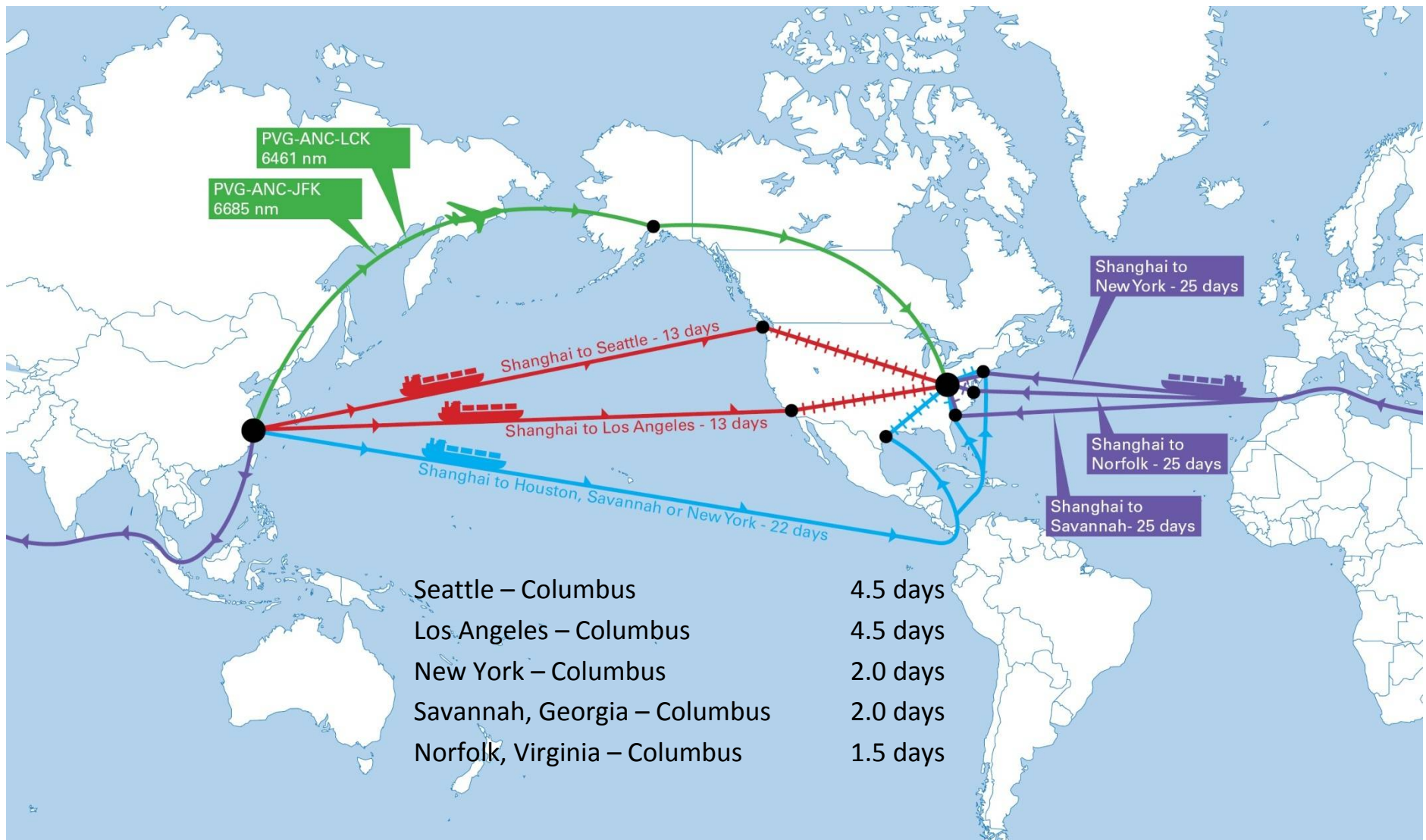
RICKENBACKER INLAND PORT

- RICKENBACKER INTERNATIONAL AIRPORT
- RICKENBACKER GLOBAL LOGISTICS PARK
- RICKENBACKER INTERMODAL YARD

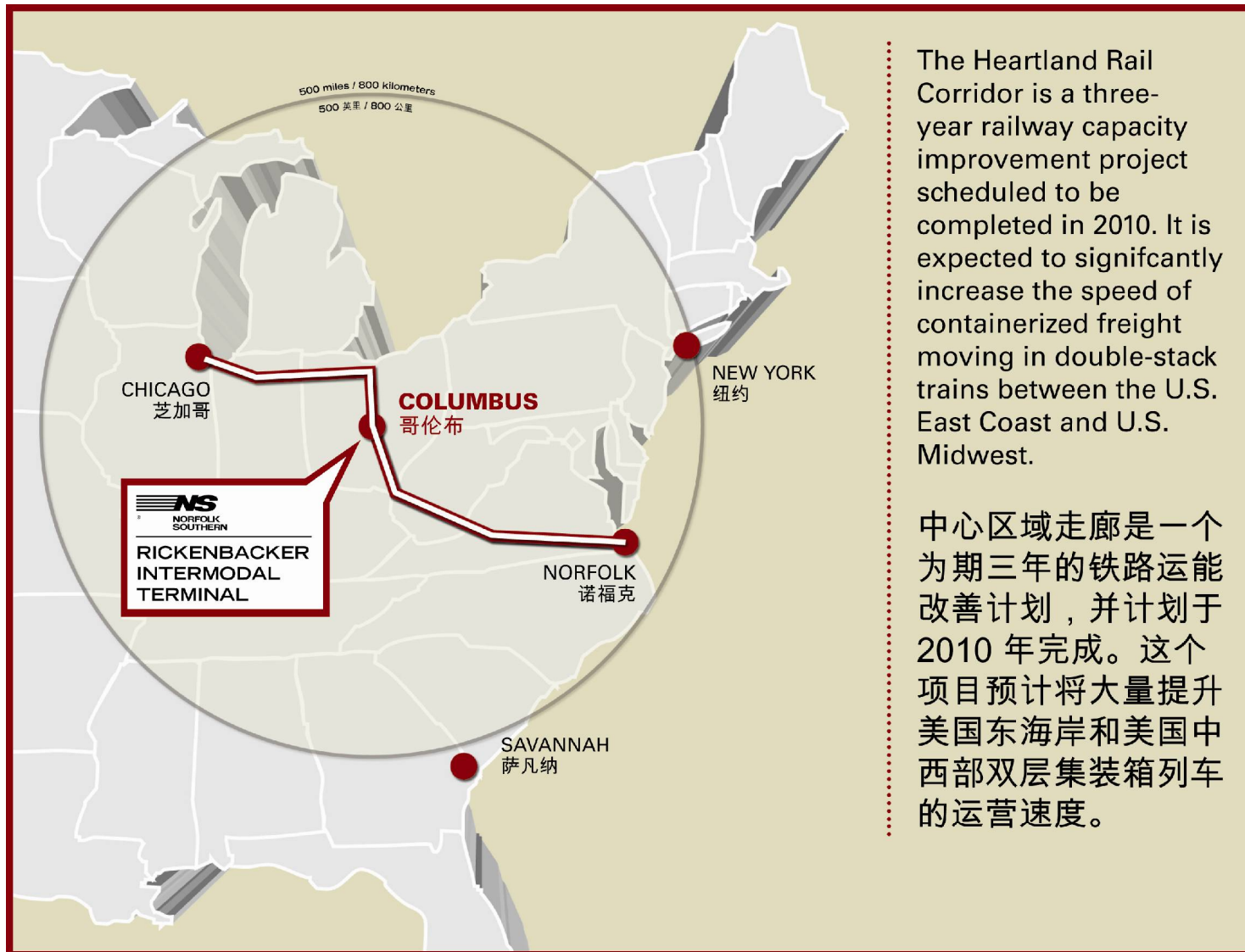
LCK
RICKENBACKER
INTERNATIONAL AIRPORT



The Columbus Inland Port Logistics Network



Norfolk & Southern Heartland Rail Corridor



LCK-Port Columbus Partners



OHIO CHINA CENTER
美国俄亥俄州中国中心



Department of
Development

Norfolk Southern
Railway

Port of Norfolk

PORT SAN ANTONIO



Positioning

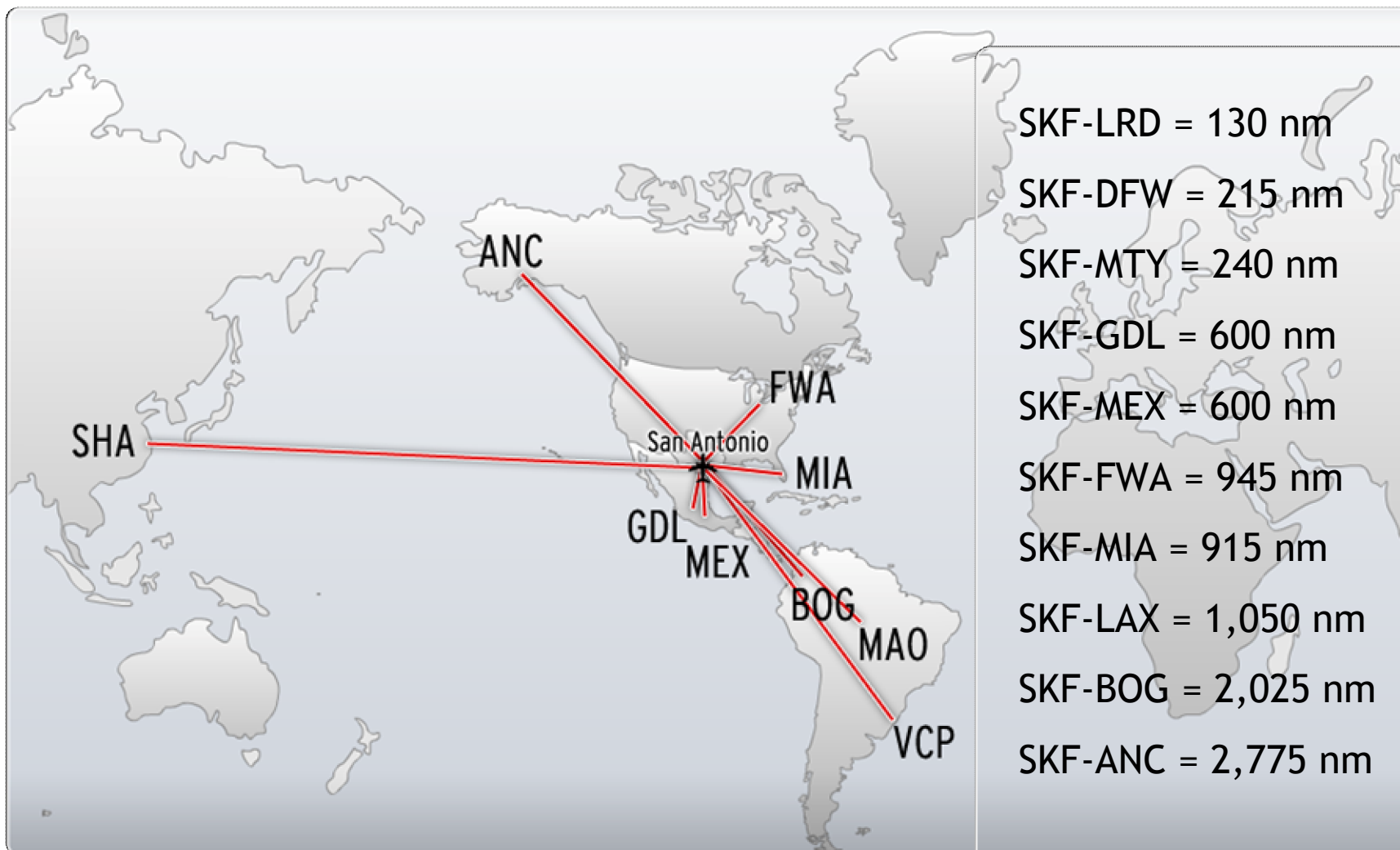


Kelly Field

- A Military Joint-Use Airport Operated by the U.S. Air Force with an 11,500 ft. Runway
 - A 575 Acre Industrial, Mixed-Use Airport Property in a FTZ
 - Major Aerospace Industrial Center for Repairing & Overhauling Airplanes & Engines
 - Emerging as a Full-Service, Heavy-Lift, International Air Cargo & Logistics Platform Capable of Handling all Types of Cargo Aircraft



Air Access



Example of Multimodal International Service to San Antonio



Rail and Highway Corridors



Port San Antonio (SKF) Partners

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GENERA VALOR

AVERITT.



Conclusions

- Most US airports have not recovered from cargo volumes from pre-9/11 years
- Open skies, security regulations, advances in logistics and supply chain management have changed the air cargo industry
- Airports need to think beyond the fence to prosper
- Partnering is a key to creating new business models

Thank You



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